

March 2005

TOBACCO
SETTLEMENT

States' Allocations of
Fiscal Year 2004 and
Expected Fiscal Year
2005 Payments



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Highlights of [GAO-05-312](#), a report to congressional requesters

TOBACCO SETTLEMENT

States' Allocations of Fiscal Year 2004 and Expected Fiscal Year 2005 Payments

Why GAO Did This Study

In the 1990s, states sued major tobacco companies to obtain reimbursement for health impairments caused by the public's use of tobacco. In 1998, 46 states and four of the nation's largest tobacco companies signed a Master Settlement Agreement (MSA) that requires the tobacco companies to make annual payments to the states in perpetuity as reimbursement for past tobacco-related health care costs. The MSA commits the tobacco companies to pay the states approximately \$206 billion over the first 25 years. Some of the states have arranged to receive upfront proceeds based on the amounts that tobacco companies owe by issuing bonds backed by future payments.

The Farm Security and Rural Investment Act of 2002 requires GAO to report annually on the amount of MSA payments that states receive through fiscal year 2006. This fourth report provides information on

- the payments the 46 states received in fiscal year 2004 and expect to receive in fiscal year 2005 and
- states' allocations of these funds to various program categories and changes from prior years.

To conduct this study, GAO surveyed the 46 states.

www.gao.gov/cgi-bin/getrpt?GAO-05-312.

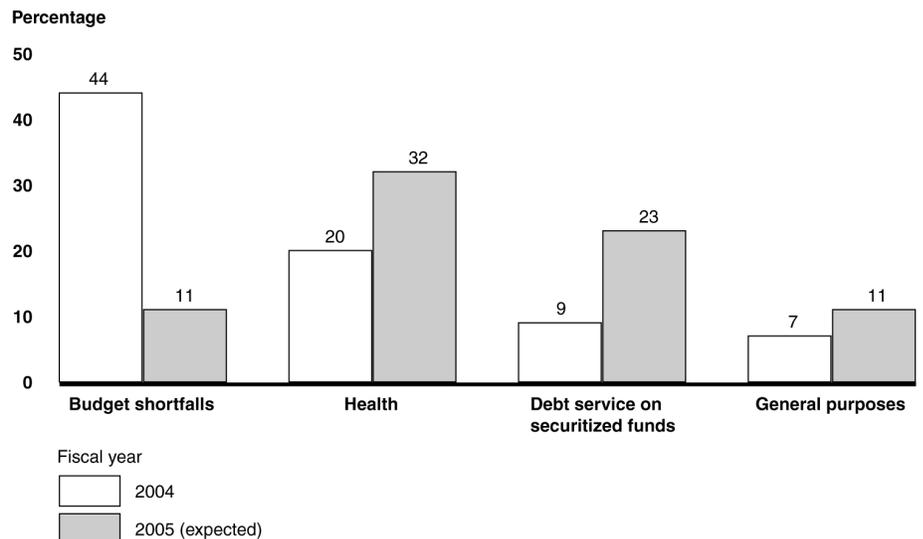
To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert A. Robinson, 202-512-3841, robinsonr@gao.gov.

What GAO Found

The 46 states party to the MSA expect to receive about \$15.1 billion in fiscal years 2004 and 2005. States reported they received about \$9.7 billion in fiscal year 2004 and expect to receive about \$5.4 billion in fiscal year 2005. About 70 percent of these amounts will be MSA payments from the tobacco companies, and 30 percent will be proceeds from the sale of bonds (securitized proceeds) backed by payments tobacco companies will make in the future. In addition, only 1 state expects to receive securitized tobacco settlement funds in fiscal year 2005, so the amount of securitized proceeds are expected to decline in fiscal year 2005 to about \$64 million, down from the \$4.4 billion states received in 2004. Over the 4 prior fiscal years, states also reported receiving a total of about \$36.8 billion. These amounts include \$25.7 billion in payments from tobacco companies and, for some states, \$11.1 billion in securitized proceeds.

The MSA allows states to use their tobacco settlement payments for any purpose. States reported that they used the largest portions of the fiscal year 2004 payments to address budget shortfalls (about 44 percent) and to fund health-related programs (20 percent). Compared with fiscal year 2004, states in fiscal year 2005 expect to decrease allocations to address budget shortfalls (11 percent) and to increase allocations to both health-related programs (32 percent) and debt service on securitized funds (23 percent).

Categories to Which States Allocated the Largest Portion of Tobacco Settlement Payments (Fiscal Year 2004 and Expected Fiscal Year 2005 Allocations)



Sources: State budget offices and their designees (data); GAO (analysis).

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United States Government Accountability Office
Washington, D.C. 20548

March 21, 2005

Congressional Requesters:

In the 1990s, states sued major tobacco companies to obtain reimbursement for health impairments caused by the public's use of tobacco. During 1997 and 1998, 4 states—Florida, Minnesota, Mississippi, and Texas—settled their lawsuits with the tobacco industry by negotiating independent agreements.¹ In November 1998, four of the nation's largest tobacco companies—Philip Morris, USA;² R.J. Reynolds Tobacco Company; Brown & Williamson Tobacco Corporation; and Lorillard Tobacco Company—negotiated and signed an agreement with the attorneys general of the remaining 46 states, the District of Columbia, and the five U.S. territories, thereby settling a number of lawsuits brought by these parties against the companies.³ This agreement is known as the Master Settlement Agreement (MSA). The MSA commits the tobacco companies to make annual payments to the 46 states in perpetuity as reimbursement for health care costs, such as Medicaid expenditures, related to tobacco use.⁴ These payments will total approximately \$206 billion over the first 25 years.⁵ Each state receives a share of the annual MSA payments based on a fixed percentage identified in the MSA. The MSA imposed no requirements on how states could spend their payments.

The Farm Security and Rural Investment Act of 2002 (the 2002 Farm Bill) requires us to report annually on payments made by tobacco companies for fiscal years 2002 through 2006 and how states use these funds. In addition, 14 of the 46 states have received substantial advance proceeds based on the

¹Under these agreements, tobacco companies will pay these 4 states \$40 billion over 25 years.

²This company was previously known as Philip Morris Incorporated.

³Several other tobacco companies have joined the MSA since the agreement was signed.

⁴For additional information on the agreement, refer to our June 2001 report on the MSA (*Tobacco Settlement: States' Use of Master Settlement Agreement Payments*, [GAO-01-851](#) (Washington, D.C.: June 29, 2001).

⁵The \$206 billion includes \$204.5 billion in estimated total payments to the 46 states, the District of Columbia, and the five U.S. territories and an additional \$1.8 billion for other initiatives agreed to in the MSA, including a national foundation dedicated to significantly reducing the use of tobacco products by youths and the administrative costs of the National Association of Attorneys General.

amounts that tobacco companies owe by issuing bonds backed by payments to be made in the future, a process known as securitization. States can securitize a portion of the expected payment stream to receive funds upfront rather than over time as MSA payments are made. The proceeds of these bonds have often been earmarked for meeting budget shortfalls. This report also includes information about states' receipt and allocation of these securitized proceeds.⁶ This report is the fourth in a series of reports responding to the 2002 Farm Bill requirement.⁷ In addition, we previously reported in June 2001 on states' receipt and use of MSA payments for fiscal years 2000 and 2001.⁸

This report discusses (1) the amount of payments, including securitized proceeds, received by the 46 states party to the MSA during fiscal year 2004, and the amount of payments these states expect to receive in fiscal year 2005, and (2) states' allocation of these funds to various program categories for fiscal year 2004 and expected allocations for fiscal year 2005.

To address our objectives, we surveyed state budget offices, or their designees, in each of the 46 states to obtain MSA payment and allocation information for fiscal years 2004 and 2005.^{9,10} We asked the states to categorize their MSA payment allocations for fiscal year 2004 and their expected allocations for fiscal year 2005 using 13 categories. In addition, we asked states if they securitized their payments and, if so, the amount of proceeds they received from securitization and the categories to which they allocated the securitized proceeds. We took a number of steps to assess the reliability of the states' data, including independently

⁶While the District of Columbia and the five U.S. territories are included in the MSA, this study reports only on the 46 states that signed the agreement.

⁷GAO, *Tobacco Settlement: States' Allocations of Phase II Funds*, [GAO-03-262R](#) (Washington, D.C.: Dec. 3, 2002); *Tobacco Settlement: States' Allocations of Fiscal Years 2002 and 2003 Master Settlement Agreement Payments*, [GAO-03-407](#) (Washington, D.C.: Feb. 28, 2003); and *Tobacco Settlement: States' Allocations of Fiscal Year 2003 and Expected Fiscal Year 2004 Payments*, [GAO-04-518](#) (Washington, D.C.: Mar. 19, 2004).

⁸[GAO-01-851](#).

⁹Throughout this report, "fiscal year" refers to the state's fiscal year. In most states, the fiscal year begins on July 1 and ends on June 30. The exceptions are in Alabama and Michigan, where the fiscal year begins on October 1, and in New York, where the fiscal year begins on April 1.

¹⁰Our study focuses on the states' share of MSA payments and does not include information on MSA payments made to counties and cities in New York and California.

corroborating these data to the extent possible. We determined that these data were reliable enough for our purposes. In addition, we compared the data we received for fiscal years 2004 and 2005 with the payment and allocation information we collected from states for our earlier GAO reports.¹¹ Appendix I contains more information on our scope and methodology and detailed definitions of the categories used in this report.¹² Appendix II shows each state's percentage share of annual MSA payments. These payments are adjusted for several factors, most notably, the future sales of the tobacco industry. Each state's payments are adjusted annually on the basis of the participating manufacturer's cigarette sales and market share, as well as inflation.

We conducted our work from July 2004 through February 2005 in accordance with generally accepted government auditing standards.

Results in Brief

The 46 states party to the MSA expect to receive about \$15.1 billion in MSA payments and securitized proceeds in fiscal years 2004 and 2005. These states reported receiving a total of about \$9.7 billion in MSA payments and securitized proceeds in fiscal year 2004 and expect to receive about \$5.4 billion in fiscal year 2005. About 70 percent of these amounts will be MSA payments from the tobacco companies, and 30 percent will be securitized proceeds. The amounts of securitized proceeds that states received and expect to receive are declining, and only 1 state expects to receive securitized tobacco settlement funds in fiscal year 2005. Specifically, fiscal year 2005 securitized proceeds are expected to decline to about \$64 million, down from the \$4.4 billion that states received in 2004 and the \$6.5 billion they received in 2003. In the 4 prior years, fiscal years 2000 through 2003, states reported receiving about \$36.8 billion—that is, about \$25.7 billion in MSA payments from the tobacco companies and about \$11.1 billion in securitized proceeds.

States allocated the largest portions of their fiscal year 2004 tobacco settlement funds to address budget shortfalls (44 percent) and for health-related programs (20 percent), but they did not expect the same to hold true for fiscal year 2005. In fiscal year 2005, states expect to allocate the

¹¹GAO-01-851, GAO-03-407, and GAO-04-518.

¹²Categories include such areas as education, health, budget shortfalls, and debt service on securitized funds.

largest portions of their tobacco settlement funds to address health-related programs (32 percent) and debt service (23 percent) on securitized funds. Compared with fiscal year 2004, states in fiscal year 2005 expect to decrease allocations to budget shortfalls and to increase allocations to health-related programs and to debt service on securitized funds. Also, while the percentage allocations to some program categories are expected to increase in fiscal year 2005, the dollars allocated may decrease. For example, the percentage allocation to health care is expected to increase, while the dollar amount is expected to decrease from about \$2.3 billion in fiscal year 2004 to about \$1.9 billion in fiscal year 2005.

States Received about \$9.7 Billion in MSA Payments and Securitized Proceeds in Fiscal Year 2004 and Expect to Receive about \$5.4 Billion in Fiscal Year 2005

The 46 states party to the MSA reported receiving a total of about \$9.7 billion in fiscal year 2004—that is, about \$5.3 billion in MSA payments from the tobacco companies and, for 4 of the states, about \$4.4 billion in securitized proceeds. For fiscal year 2005, the 46 states are expecting to receive a total of about \$5.4 billion—that is, about \$5.3 billion in MSA payments and, for 1 of the states, about \$0.1 billion (\$64 million) in securitized proceeds, about \$4.3 billion less than in fiscal year 2004 and about \$6.4 billion less than fiscal year 2003. Over these 2 fiscal years, of the combined payments (about \$15.1 billion) that states will receive, about 70 percent (\$10.6 billion) will be MSA payments from the tobacco companies and 30 percent (\$4.5 billion) will be securitized proceeds. In fiscal years 2000 through 2003, states reported receiving a total of about \$36.8 billion—that is, about \$25.7 billion in MSA payments from the tobacco companies and about \$11.1 billion in securitized proceeds. Table 1 shows the amount of MSA payments and securitized proceeds each of the 46 states reported receiving in fiscal year 2004 and the amount each state expects to receive in fiscal year 2005.

Table 1: MSA Payments and Securitized Proceeds that States Reported Receiving in Fiscal Year 2004 and Expect to Receive in Fiscal Year 2005

State	Fiscal year 2004			Fiscal year 2005		
	MSA payments received	Securitized proceeds received	Total	MSA payments expected to be received	Securitized proceeds expected to be received	Total
Alabama	\$101,871,680		\$101,871,680	\$96,000,000		\$96,000,000
Alaska	21,438,845		21,438,845	23,347,500		23,347,500
Arizona	92,648,165		92,648,165	90,304,100		90,304,100
Arkansas	52,688,976		52,688,976	50,000,000		50,000,000
California	400,746,161		400,746,161	404,500,000		404,500,000
Colorado	87,037,529		87,037,529	88,878,470		88,878,470
Connecticut	116,578,313		116,578,313	109,000,000		109,000,000
Delaware	24,832,878		24,832,878	26,100,000		26,100,000
Georgia	156,330,702		156,330,702	146,123,673		146,123,673
Hawaii	38,837,269		38,837,269	42,574,552		42,574,552
Idaho	22,818,949		22,818,949	23,830,716		23,830,716
Illinois	292,256,066		292,256,066	270,989,300		270,989,300
Indiana	126,800,000		126,800,000	129,300,000		129,300,000
Iowa	54,609,359	\$63,512,236	118,121,595	55,137,861	\$63,792,236	118,930,097
Kansas	52,349,060		52,349,060	52,000,000		52,000,000
Kentucky	109,482,959		109,482,959	108,800,000		108,800,000
Louisiana	141,621,328		141,621,328	145,362,442		145,362,442
Maine	48,952,964		48,952,964	48,772,127		48,772,127
Maryland	149,942,000		149,942,000	142,607,000		142,607,000
Massachusetts	253,621,276		253,621,276	253,600,000		253,600,000
Michigan	270,540,221		270,540,221	285,700,000		285,700,000
Missouri	142,829,966		142,829,966	144,000,000		144,000,000
Montana	26,672,073		26,672,073	26,223,000		26,223,000
Nebraska	37,858,162		37,858,162	35,600,000		35,600,000
Nevada	38,299,907		38,299,907	38,666,164		38,666,164
New Hampshire	41,800,000		41,800,000	39,600,000		39,600,000
New Jersey	242,800,000		242,800,000	245,100,000		245,100,000
New Mexico	37,449,345		37,449,345	34,779,246		34,779,246
New York	349,494,266	4,200,000,000	4,549,494,266	406,007,613		406,007,613

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State	Fiscal year 2004			Fiscal year 2005		
	MSA payments received	Securitized proceeds received	Total	MSA payments expected to be received	Securitized proceeds expected to be received	Total
North Carolina	150,507,204		150,507,204	163,353,241		163,353,241
North Dakota	23,289,073		23,289,073	22,972,067		22,972,067
Ohio	320,531,457		320,531,457	290,886,750		290,886,750
Oklahoma	65,062,578		65,062,578	49,783,729		49,783,729
Oregon	72,065,376	109,565,000	181,630,376	73,555,259		73,555,259
Pennsylvania	370,856,755		370,856,755	357,566,328		357,566,328
Rhode Island	45,142,523	1,621,487	46,764,010	47,381,000		47,381,000
South Carolina	73,124,607		73,124,607	75,582,954		75,582,954
South Dakota	21,911,498		21,911,498	23,063,730		23,063,730
Tennessee	153,272,096		153,272,096	147,800,000		147,800,000
Utah	27,936,000		27,936,000	26,951,100		26,951,100
Vermont	25,819,716		25,819,716	24,700,000		24,700,000
Virginia	128,396,522		128,396,522	123,256,595		123,256,595
Washington	127,635,700		127,635,700	128,000,000		128,000,000
West Virginia	55,663,874		55,663,874	50,800,000		50,800,000
Wisconsin	130,110,401		130,110,401	137,126,872		137,126,872
Wyoming	15,594,424		15,594,424	15,594,424		15,594,424
Total	\$5,340,128,223	\$4,374,698,723	\$9,714,826,946	\$5,321,277,813	\$63,792,236	\$5,385,070,049

Sources: State budget offices or their designees.

Note: The amounts of MSA payments received and expected by California and New York do not include MSA payments made to the counties and cities in those states.

Since fiscal year 2000, states have received a total of about \$47 billion in MSA payments and securitized proceeds; specifically, about \$31 billion from MSA payments and \$16 billion in securitized proceeds. (See table 2.)

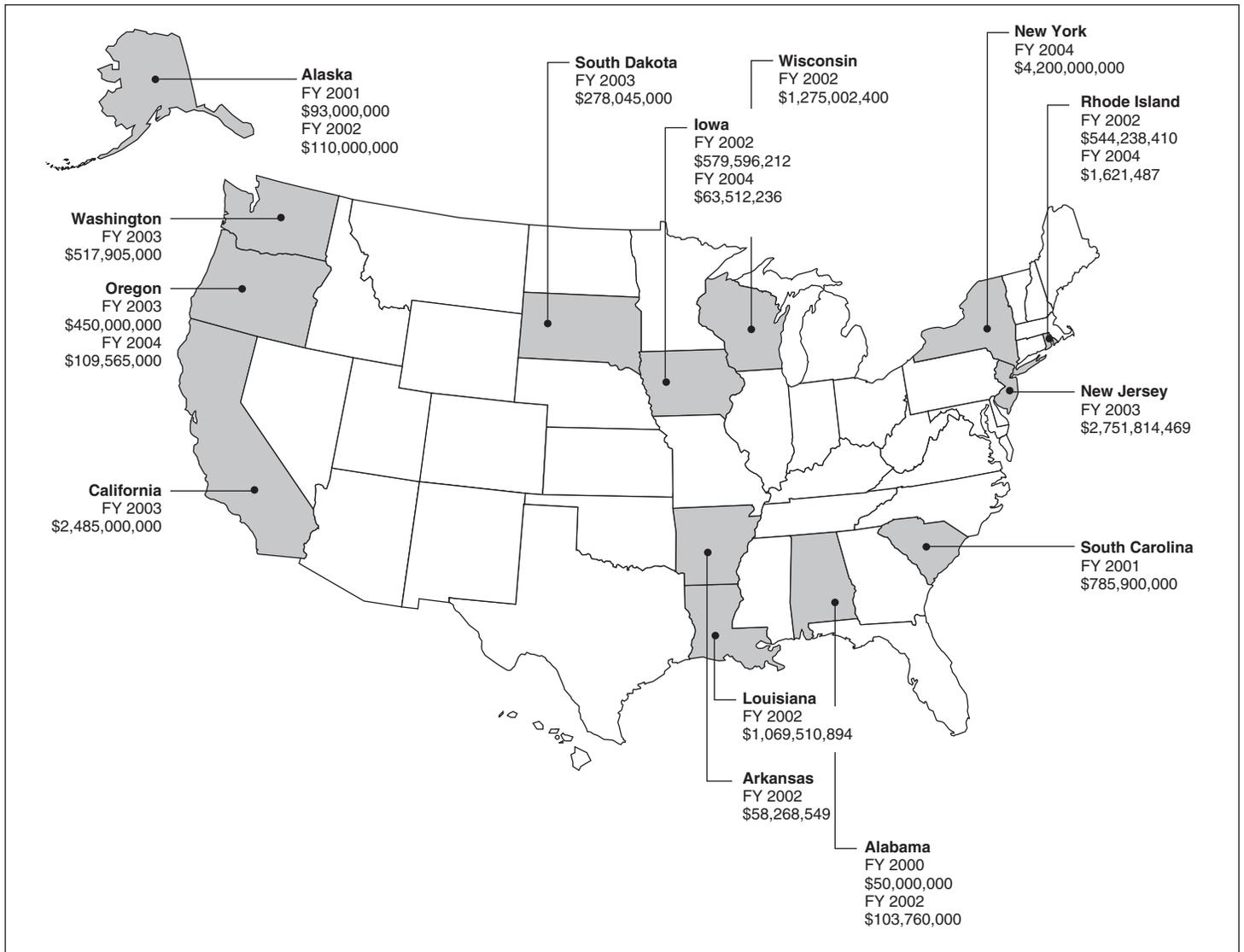
Table 2: Total MSA Payments and Securitized Proceeds Received since Fiscal Year 2000

Fiscal year	MSA payments	Securitized proceeds	Total
2000-01	\$13,200,000,000	\$928,900,000	\$14,128,900,000
2002	6,238,393,496	3,740,376,465	9,978,769,961
2003	6,306,329,459	6,482,764,469	12,789,093,928
2004	5,340,128,223	4,374,698,723	9,714,826,946
Total	\$31,084,851,178	\$15,526,739,657	\$46,611,590,835

Sources: [GAO-01-851](#), [GAO-03-407](#), and [GAO-04-518](#); state budget offices or their designees (data); and GAO (analysis).

Fourteen states have received a total of about \$15.5 billion in securitized proceeds from the sale of bonds since fiscal year 2000. Five of these states—Alabama, Alaska, Iowa, Oregon, and Rhode Island—have received securitized proceeds in more than 1 year. (See fig. 1.)

Figure 1: Securitized Proceeds Received by States since Fiscal Year 2000



Sources: GAO-01-851, GAO-03-407, GAO-04-518, and state budget offices or their designees.

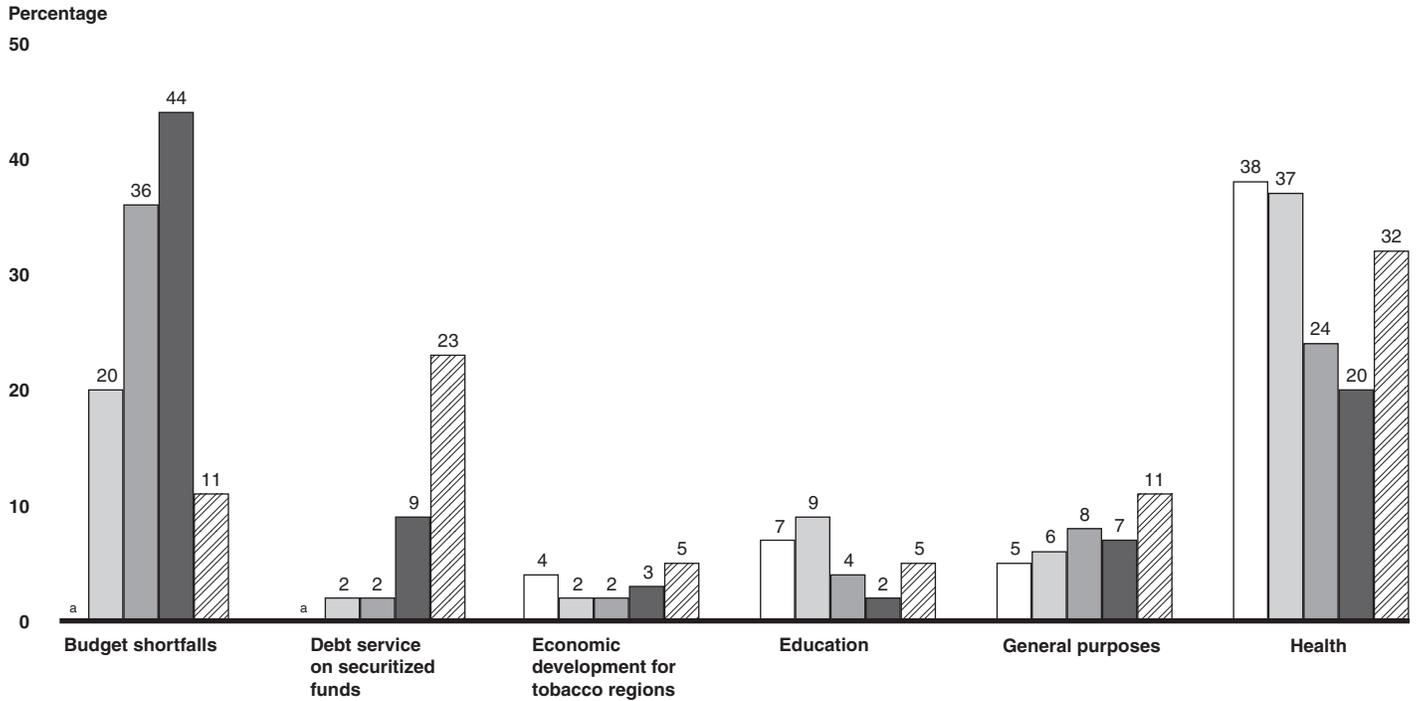
States Allocated the Largest Portion of their Funds to Cover Budget Shortfalls in Fiscal Year 2004 and Expect to Allocate the Largest Portion to Health-Related Programs in Fiscal Year 2005

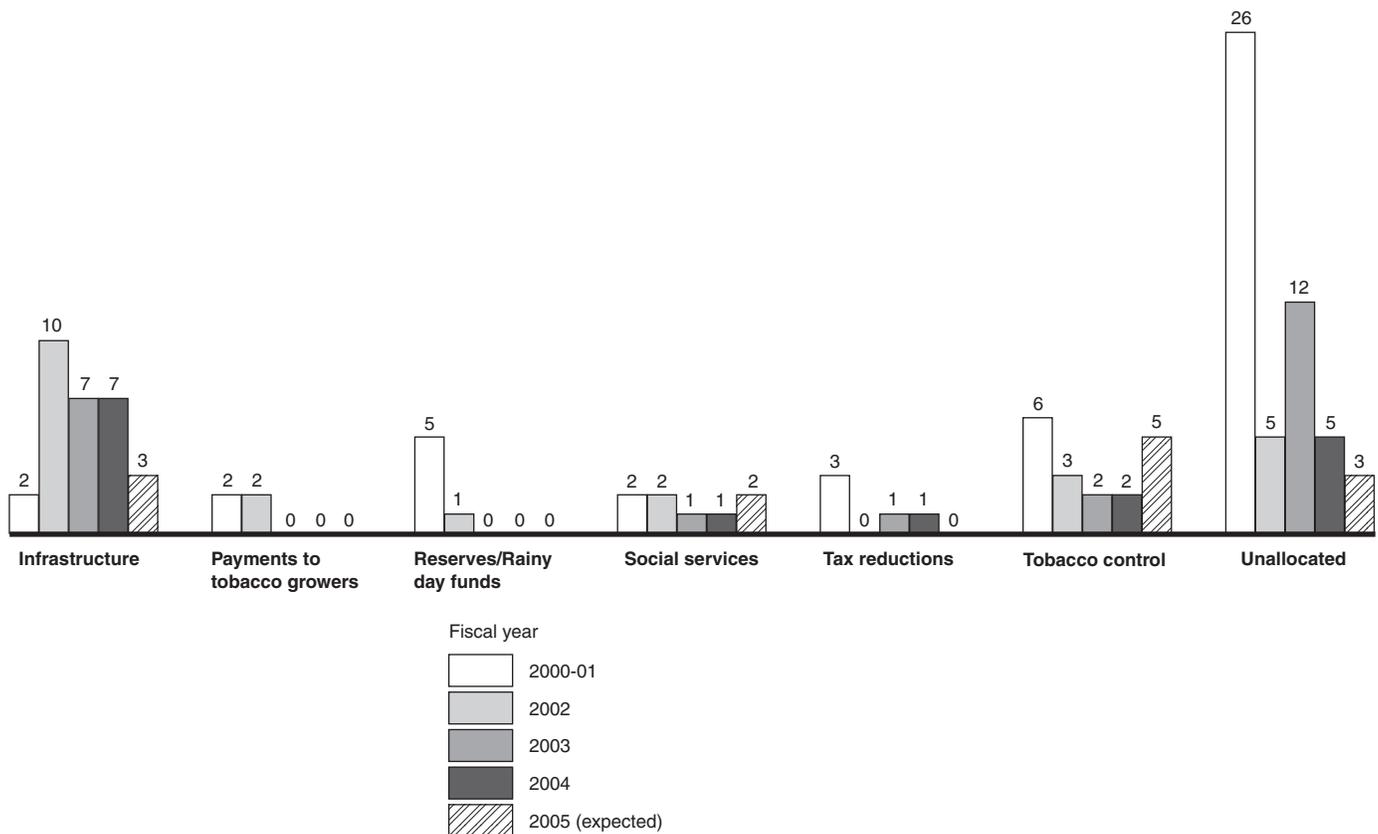
The 46 states reported that in fiscal year 2004, they allocated the largest portion of their combined MSA payments and securitized proceeds (44 percent) to cover budget shortfalls, and the next largest portion (20 percent) for health-related programs. In fiscal year 2005, the states expected to decrease allocations to budget shortfalls (to about 11 percent) and allocate the largest portion of their funds (32 percent) for health-related programs, and the next largest portion (23 percent) for debt servicing of securitized proceeds. While the percentage allocations to some program categories are expected to increase in fiscal year 2005, the dollars allocated may decrease. For example, the percentage allocation to health care is expected to increase, while the dollar amount is expected to decrease from about \$2.3 billion in fiscal year 2004 to about \$1.9 billion in fiscal year 2005. Examples of the health-related programs included Medicaid, the Children's Health Insurance Program, and cancer treatment and prevention. Figure 2 provides more detail on states' allocations of their combined MSA payments and securitized proceeds for fiscal years 2000-01, 2002, 2003, and 2004 and expected allocations for fiscal year 2005.

In addition, between fiscal years 2004 and 2005, the portion of funds that all states allocate to budget shortfalls is expected to decrease substantially from 44 percent to 11 percent, as shown in figure 2. Our analysis shows that changes in the allocations of securitized proceeds by New York and New Jersey were the primary cause of that decrease. Together, the securitized funds allocated by these two states (about \$4.7 billion) accounted for about 41 percent of the total MSA funds (\$11.4 billion) that all states allocated in fiscal year 2004, but these amounts declined in fiscal year 2005. Specifically, in fiscal year 2004, New York allocated \$3.8 billion of their securitized funds to budget shortfalls while New Jersey allocated \$873 million. Together, these allocations accounted for about 92 percent of all funds allocated to budget shortfalls in fiscal year 2004. In fiscal year 2005, however, New York expected to allocate only \$400 million¹³ of their securitized funds to budget shortfalls while New Jersey did not expect to allocate any funds to budget shortfalls.

¹³The \$400 million represents securitized funds that New York carried over from fiscal year 2004. The state expects to allocate an additional \$182 million of its fiscal year 2005 MSA funds to address budget shortfalls.

Figure 2: States' Allocations of Combined MSA Payments and Securitized Proceeds for Fiscal Years 2000-01, 2002, 2003, and 2004 and Expected Allocations for Fiscal Year 2005





Sources: GAO-04-518, state budget offices and their designees (data), and GAO (analysis).

Note: Percentages may not add up to 100 because of rounding.

^aWe did not obtain data for budget shortfalls and debt service on securitized funds for fiscal years 2000-01.

As table 3 shows, allocations of MSA payments differed somewhat from allocations of securitized proceeds. In fiscal year 2004, the categories to which the 46 states allocated the greatest portion of their MSA payments were health-related programs (nearly 40 percent) and debt service (nearly 18 percent). In contrast, the 5 states that allocated securitized proceeds in fiscal year 2004—Iowa, New Jersey, New York, Oregon, and Rhode Island—allocated the greatest portion of the securitized proceeds to budget

shortfalls (nearly 80 percent). In fiscal year 2005, the categories to which the 46 states expected to allocate the greatest portion of their MSA payments were health-related programs (about 33 percent) and debt service (about 25 percent). The only states that expected to allocate securitized proceeds for fiscal year 2005—Iowa and New York—planned to allocate about 86 percent of these proceeds to budget shortfalls.

Table 3: MSA Payments and Securitized Proceeds Allocated or Expected to Be Allocated to Various Categories, Fiscal Years 2004 and 2005

Category	Fiscal Year 2004			Fiscal Year 2005		
	MSA payments allocated	Securitized proceeds allocated	Total allocated	MSA payments expected to be allocated	Securitized proceeds expected to be allocated	Total expected to be allocated
Budget shortfalls	6.9%	79.8%	44.3%	5.2%	86.2%	11.4%
Debt service on securitized funds	17.9	0.0	8.7	25.4	0.0	23.4
Economic development for tobacco regions	5.2	0.0	2.5	5.1	0.0	4.7
Education	5.0	0.0	2.4	5.1	0.5	4.8
General purposes	13.3	0.1	6.5	12.0	0.5	11.1
Health	39.6	0.9	19.8	33.3	11.7	31.6
Infrastructure	0.7	12.3	6.6	3.0	0.0	2.7
Payments to tobacco growers	0.4	0.0	0.2	0.5	0.0	0.4
Reserves/Rainy day funds	0.3	0.0	0.1	0.3	0.0	0.3
Social services	2.6	0.0	1.2	2.5	0.0	2.3
Tax reductions	1.0	0.0	0.5	0.0	0.0	0.0
Tobacco control	3.9	0.1	2.0	4.8	1.1	4.5
Unallocated	3.1	6.8	5.0	2.9	0.0	2.7
Total^a	99.9%	100.0%	99.8%	100.1%	100.0%	99.9%
Total amount allocated^b	\$5,576,588,405	\$5,855,998,723	\$11,432,587,128	\$5,534,150,369	\$463,792,236	\$5,997,942,605

Sources: State budget offices or their designees (data); GAO (analysis).

^aMay not equal 100 percent due to rounding.

^bSome states received MSA payments and/or securitized proceeds in one fiscal year and allocated them the next fiscal year. The amount of funds allocated may not equal the amount of funds received because of carry-over funds and interest earned.

Tables 4 and 5 show the percentage of the combined MSA payments and securitized proceeds that individual states allocated, and expect to allocate, to various categories in fiscal years 2004 and 2005, respectively.

Table 4: Allocation of States' Combined MSA Payments and Securitized Proceeds, Fiscal Year 2004

State	Budget shortfalls	Debt on securitized proceeds	Economic development for tobacco regions	Education	General purposes	Health
Alabama	0.0%	12.8%	0.0%	11.5%	7.4%	43.1%
Alaska	0.0	80.0	0.0	0.0	0.0	4.0
Arizona	0.0	0.0	0.0	0.0	0.0	100.0
Arkansas	0.0	9.5	0.0	4.7	0.0	84.3
California	0.0	100.0	0.0	0.0	0.0	0.0
Colorado	0.0	0.0	0.0	22.8	0.0	65.5
Connecticut	0.0	0.0	0.0	0.0	100.0	0.0
Delaware	0.0	0.0	0.0	5.2	0.7	72.2
Georgia	0.0	0.0	37.8	0.0	0.0	51.0
Hawaii	0.0	0.0	0.0	0.0	7.2	32.5
Idaho	0.0	0.0	0.0	0.0	0.0	3.7
Illinois	0.0	0.0	0.0	5.2	13.1	59.6
Indiana	0.0	0.0	27.2	0.0	0.0	51.2
Iowa	0.0	36.1	0.0	1.8	1.8	56.0
Kansas	0.0	0.0	0.0	15.9	20.5	3.3
Kentucky	0.0	0.0	39.7	5.4	0.3	39.8
Louisiana	0.0	60.0	0.0	0.0	0.2	8.4
Maine	11.7	0.0	0.0	17.9	0.1	34.3
Maryland	0.0	0.0	0.0	1.4	13.9	71.1
Massachusetts	0.0	0.0	0.0	0.0	100.0	0.0
Michigan	22.4	0.0	0.0	36.7	0.1	37.6
Missouri	48.7	0.0	0.0	0.0	3.0	48.0
Montana	0.0	0.0	0.0	0.0	11.0	68.4
Nebraska	0.0	0.0	0.0	0.0	0.2	55.5
Nevada	0.0	0.0	0.0	50.8	0.4	24.6
New Hampshire	0.0	0.0	0.0	95.7	4.3	0.0
New Jersey	50.7	7.0	0.0	0.0	0.0	7.1
New Mexico	0.0	0.0	0.0	2.1	0.0	97.9
New York	83.5	0.0	0.0	0.0	0.0	7.1
North Carolina	0.0	0.0	50.0	0.0	41.6	1.3
North Dakota	0.0	0.0	0.0	45.0	0.0	2.1
Ohio	72.9	0.0	4.7	2.3	0.2	11.6
Oklahoma	0.0	0.0	0.0	0.0	2.2	47.6

Infrastructure	Payments to tobacco rowers	Reserves/ Rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0.0%	0.0%	0.0%	24.7%	0.0%	0.5%	0.0%
0.0	0.0	0.0	0.0	0.0	16.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	1.5	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	3.8	0.0	7.9	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	1.7	0.0	20.3	0.0
0.0	0.0	0.0	4.1	0.0	7.2	0.0
26.0	0.0	22.7	0.0	0.0	11.6	0.0
0.0	0.0	0.0	1.2	0.0	5.8	89.3
1.0	0.0	0.0	0.3	18.3	2.5	0.0
0.9	0.0	0.0	14.3	0.0	6.4	0.0
0.0	0.0	0.0	0.0	0.0	4.3	0.0
0.0	0.0	0.0	60.3	0.0	0.0	0.0
10.2	0.0	0.0	0.0	0.0	4.5	0.0
0.0	0.0	0.0	1.1	0.0	0.4	30.0
0.0	0.0	0.0	10.2	0.0	25.7	0.0
0.0	2.4	0.0	0.0	0.0	6.4	4.8
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	3.2
0.0	0.0	0.0	0.0	0.0	0.3	0.0
0.0	0.0	0.0	8.1	0.0	9.4	3.1
0.0	0.0	0.0	7.4	0.0	0.0	36.9
0.0	0.0	0.0	15.5	0.0	8.7	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
35.3	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.7	8.8
0.0	0.0	0.0	0.0	0.0	7.1	0.0
45.0	0.0	0.0	0.0	0.0	7.9	0.0
1.6	0.0	0.0	1.2	0.0	5.4	0.0
0.0	0.0	0.0	24.0	0.0	26.2	0.0

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State	Budget shortfalls	Debt on securitized proceeds	Economic development for tobacco regions	Education	General purposes	Health
Oregon	0.0	4.2	0.0	0.0	0.0	8.0
Pennsylvania	0.0	0.0	0.0	0.0	0.0	100.0
Rhode Island	0.0	95.6	0.0	0.0	4.4	0.0
South Carolina	0.0	100.0	0.0	0.0	0.0	0.0
South Dakota	0.0	60.7	0.0	39.3	0.0	0.0
Tennessee	0.0	0.0	0.0	0.0	100.0	0.0
Utah	28.4	0.0	0.0	0.0	0.3	37.6
Vermont	0.0	0.0	0.0	0.0	1.6	70.0
Virginia	0.0	0.0	34.9	0.0	40.0	0.0
Washington	0.0	25.7	0.0	0.0	0.0	62.3
West Virginia	0.0	0.0	0.0	0.0	0.0	39.5
Wisconsin	0.0	100.0	0.0	0.0	0.0	0.0
Wyoming	0.0	0.0	0.0	0.0	0.0	46.8
Total	44.3%	8.7%	2.5%	2.4%	6.5%	19.8%

Infrastructure	Payments to tobacco rowers	Reserves/ Rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
60.3	0.0	0.0	0.0	0.0	0.0	27.4
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	16.2	5.8	0.0	11.7	0.0
0.0	0.0	0.0	11.7	0.0	16.7	0.0
0.0	15.1	0.0	0.0	0.0	10.0	0.0
0.0	0.0	0.0	0.0	0.0	12.1	0.0
0.0	0.0	0.0	0.0	0.0	10.5	50.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	26.0	0.0	27.1	0.0
6.6%	0.2%	0.1%	1.2%	5.0%	2.0%	5.0%

Sources: State budget offices and their designees (data); GAO (analysis).

Note: Percentages may not add up to 100 because of rounding. Appendix IV shows the dollar amount each state allocated to the various categories.

Table 5: Expected Allocation of States' Combined MSA Payments and Securitized Proceeds, Fiscal Year 2005

State	Budget shortfalls	Debt service on securitized funds	Economic development for tobacco regions	Education	General purposes	Health
Alabama	0.0%	13.5%	0.0%	11.4%	7.3%	42.7%
Alaska	0.0	80.0	0.0	0.0	0.0	4.8
Arizona	0.0	0.0	0.0	0.0	0.0	100.0
Arkansas	0.0	10.0	0.0	4.7	0.0	83.7
California	0.0	100.0	0.0	0.0	0.0	0.0
Colorado	29.2	0.0	0.0	18.5	0.0	40.4
Connecticut	0.0	0.0	0.0	0.0	100.0	0.0
Delaware	0.0	0.0	0.0	6.3	0.7	71.9
Georgia	0.0	0.0	30.1	0.0	0.0	57.1
Hawaii	0.0	0.0	0.0	0.0	7.2	32.5
Idaho	0.0	0.0	0.0	0.0	0.0	2.1
Illinois	0.0	0.0	0.0	4.6	8.7	80.3
Indiana	0.0	0.0	26.9	0.0	0.0	51.9
Iowa	0.0	36.2	0.0	1.8	1.9	55.9
Kansas	0.0	0.0	0.0	14.9	8.9	3.1
Kentucky	0.0	0.0	44.4	10.1	0.0	35.4
Louisiana	0.0	60.0	0.0	0.0	0.2	9.4
Maine	0.0	0.0	0.0	21.6	0.1	37.5
Maryland	0.0	0.0	0.0	2.0	19.7	64.2
Massachusetts	0.0	0.0	0.0	0.0	100.0	0.0
Michigan	2.4	0.0	0.0	34.4	0.1	62.9
Missouri	49.1	0.0	0.0	0.0	1.7	48.9
Montana	0.0	0.0	0.0	0.0	10.7	68.8
Nebraska	0.0	0.0	0.0	0.0	0.2	57.1
Nevada	0.0	0.0	0.0	56.5	0.4	22.3
New Hampshire	0.0	0.0	0.0	100.0	0.0	0.0
New Jersey	0.0	100.0	0.0	0.0	0.0	0.0
New Mexico	0.0	0.0	0.0	2.3	36.4	61.3
New York	72.2	27.8	0.0	0.0	0.0	0.0
North Carolina	0.0	0.0	53.0	0.0	36.7	2.6
North Dakota	0.0	0.0	0.0	45.0	0.0	2.1
Ohio	0.0	0.0	4.3	2.1	0.3	11.8
Oklahoma	0.0	0.0	0.0	0.0	2.0	69.5

Infrastructure	Payments to tobacco growers	Reserves/ Rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0.0%	0.0%	0.0%	24.5%	0.0%	0.5%	0.0%
0.0	0.0	0.0	0.0	0.0	15.2	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	1.6	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1	0.0	0.0	4.9	0.0	4.9	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	1.6	0.0	19.4	0.0
0.0	0.0	0.0	4.6	0.0	8.2	0.0
26.0	0.0	22.7	0.0	0.0	11.6	0.0
0.0	0.0	0.0	1.1	0.0	4.9	91.9
1.7	0.0	0.0	0.4	0.0	4.3	0.0
0.8	0.0	0.0	14.1	0.0	6.3	0.0
0.0	0.0	0.0	0.0	0.0	4.3	0.0
0.0	0.0	0.0	73.1	0.0	0.0	0.0
5.6	0.0	0.0	0.0	0.0	4.5	0.0
0.0	0.0	0.0	0.0	0.0	0.3	30.0
0.0	0.0	0.0	11.3	0.0	29.5	0.0
0.0	3.7	0.0	0.0	0.0	6.2	4.2
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.2
0.0	0.0	0.0	0.0	0.0	0.3	0.0
0.0	0.0	0.0	9.6	0.0	11.0	0.0
0.0	0.0	0.0	7.7	0.0	0.0	35.0
0.0	0.0	0.0	12.8	0.0	8.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2	0.0	0.0	0.0	0.0	6.6	0.0
45.0	0.0	0.0	0.0	0.0	7.9	0.0
43.2	0.0	0.0	1.3	0.0	36.9	0.0
0.0	0.0	0.0	0.0	0.0	28.4	0.0

State	Budget shortfalls	Debt service on securitized funds	Economic development for tobacco regions	Education	General purposes	Health
Oregon	0.0	35.5	0.0	0.0	0.0	22.4
Pennsylvania	0.0	0.0	0.0	0.0	0.0	100.0
Rhode Island	0.0	100.0	0.0	0.0	0.0	0.0
South Carolina	0.0	100.0	0.0	0.0	0.0	0.0
South Dakota	0.0	61.7	0.0	36.3	0.0	0.0
Tennessee	0.0	0.0	0.0	0.0	100.0	0.0
Utah	0.0	0.0	0.0	0.0	0.4	47.7
Vermont	0.0	0.0	0.0	0.0	1.4	64.1
Virginia	0.0	0.0	35.0	0.0	0.0	38.6
Washington	0.0	29.2	0.0	0.0	0.0	70.8
West Virginia	0.0	0.0	0.0	0.0	0.0	38.5
Wisconsin	0.0	100.0	0.0	0.0	0.0	0.0
Wyoming	0.0	0.0	0.0	0.0	0.8	46.8
Total	11.4%	23.4%	4.7%	4.8%	11.1%	31.6%

Infrastructure	Payments to tobacco growers	Reserves/ Rainy day funds	Social services	Tax reductions	Tobacco control	Unallocated
0.0	0.0	0.0	0.0	0.0	0.6	41.5
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	2.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	29.7	7.3	0.0	15.0	0.0
0.0	0.0	0.0	16.8	0.0	17.7	0.0
0.0	16.2	0.0	0.0	0.0	10.2	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	11.5	50.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	25.2	0.0	27.1	0.0
2.7%	0.4%	0.3%	2.3%	0.0%	4.5%	2.7%

Sources: State budget offices and their designees (data); GAO (analysis).

Note: Percentages may not add up to 100 because of rounding. Appendix IV shows the dollar amount each state allocated to the various categories.

We are sending copies of this report to interested congressional committees and to others upon request. Copies are also available at no charge on the GAO Web site at <http://www.gao.gov>. Please contact me at (202) 512-3841 or robinsonr@gao.gov if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix VI.



Robert A. Robinson
 Managing Director, Natural Resources
 and Environment

List of Congressional Requesters

The Honorable Saxby Chambliss
Chairman

The Honorable Tom Harkin
Ranking Democratic Member
Committee on Agriculture, Nutrition,
and Forestry
United States Senate

The Honorable Robert Goodlatte
Chairman, Committee on Agriculture
House of Representatives

The Honorable Jim Bunning
United States Senate

Objectives, Scope, and Methodology

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) requires GAO to report annually on the amount of Master Settlement Agreement (MSA) payments that states receive and on how they use these payments for the years 2002 through 2006. This report is the fourth in a series of reports responding to the 2002 Farm Bill requirement. In December 2002, we issued the report *Tobacco Settlement: States' Allocations of Phase II Funds* (GAO-03-262R), which provides information on the National Tobacco Grower Settlement Trust (commonly referred to as the Phase II agreement). In February 2003, we issued the report *Tobacco Settlement: States' Allocations of Fiscal Years 2002 and 2003 Master Settlement Agreement Payments* (GAO-03-407). In March 2004, we issued the report *Tobacco Settlement: States' Allocations of Fiscal Year 2003 and Expected Fiscal Year 2004 Payments* (GAO-04-518). We also reported on states' receipt and use of MSA payments for fiscal years 2000 and 2001 in a June 2001 report, *Tobacco Settlement: States' Use of Master Settlement Agreement Payments* (GAO-01-851).

To respond to the 2002 Farm Bill requirement, the objectives of this study were to provide information on (1) the amount of payments received by the 46 states party to the MSA during fiscal year 2004, and the amount of payments these states expect to receive during fiscal year 2005, and (2) states' allocations of MSA funds to various program categories for fiscal year 2004 and states' expected allocations for fiscal year 2005.^{1,2}

To address these objectives, we surveyed³ the executive budget offices, or their designees, in the 46 states party to the MSA. In addition, we performed some data reliability testing and independently corroborated these data to the extent possible. We obtained and reviewed MSA disbursement data provided by the National Association of Attorneys General⁴ and compared it with payment data provided by the states. We contacted state officials to discuss any data entries on the surveys that were questionable, and we resolved all discrepancies between the survey

¹Fiscal year refers to the state's fiscal year.

²Allocation refers to funds appropriated or otherwise designated (e.g., earmarked for a trust fund or an endowment that has a specific purpose). It also includes funds designated for debt servicing on bonds issued when a state securitized all or a portion of the MSA funds.

³See appendix V for a copy of the survey that we sent to each of the 46 states.

⁴The National Association of Attorneys General monitors the actual payments made to states as determined by an independent auditor.

data and the data provided by the National Association of Attorneys General. We also reviewed previous GAO reports and other relevant studies by organizations such as the National Conference of State Legislatures. Finally, we contacted the National Association of State Budget Officers to request their assistance in encouraging state officials to respond to our survey. We conducted our work from July 2004 through February 2005 in accordance with generally accepted government auditing standards.

Our study focuses on the states' shares of MSA payments and does not include information on allocations of MSA payments to cities and counties in California and New York.⁵ In addition, we did not collect information on MSA payments made to the District of Columbia or the five U.S. territories that are also party to the MSA. Because we completed our fieldwork before states received their fiscal year 2005 payments, we were unable to obtain final information on the actual MSA payments states received during fiscal year 2005. Consequently, we obtained information on states' expected fiscal year 2005 MSA payments.

Survey Methodology and Categorization of States' Allocations

We used a survey instrument somewhat similar to the one used to obtain information for our March 2004 report. In July 2004, we contacted the 46 state budget officials, or their designees, who completed the surveys for our March 2004 report. The officials in most of these states indicated they would be the respondents for this year's survey; a few identified new respondents. In August 2004, we e-mailed the survey to the identified officials in each of the 46 states party to the MSA. We received responses from all 46 states. From these responses, we obtained information on (1) the MSA payments states received in fiscal year 2004 and the MSA payments they expect to receive in fiscal year 2005 and (2) the states' allocations and expected allocations of MSA payments in fiscal years 2004 and 2005, respectively. We also obtained information on the states' proceeds, if any, from securitization or expected securitization in fiscal years 2004 and 2005, respectively, and the allocation of the securitized proceeds. Furthermore, in the survey, we asked the states to categorize their allocations of MSA payments and securitized MSA proceeds for fiscal years 2004 and 2005, using the 13 program categories developed for our report. (See below for the definitions of the 13 categories.)

⁵As we reported in 2001, California counties, four California cities, New York counties, and New York City each receive a share of MSA payments.

The level of detail for individual states varies because we relied on state-reported information. We performed some reliability testing and independently corroborated, to the extent possible, the accuracy of the information provided to us by the state budget offices. We reviewed earlier reports, compared payment amounts reported by states with amounts reported to the National Association of Attorneys General, and contacted many states to clarify the information they provided. On the basis of this work, we determined that these data were reliable enough for our purposes.

In addition, there are no sampling errors because this was not a sample survey. Nevertheless, the practical difficulties of conducting any survey may introduce errors, commonly referred to as nonsampling errors. For example, difficulties in how a particular question is interpreted, in the sources of information that are available to respondents, or in how the data are entered into a database or were analyzed can introduce unwanted variability into the survey results. We took steps in the development of the survey, the data collection, and the data editing and analysis to minimize these nonsampling errors. For example, we edited the completed surveys for consistency and contacted state budget offices to clarify responses, verified all survey data that were entered into our database, and verified that the computer programs were written correctly.

We took information on MSA payments and securitized proceeds received and allocated for fiscal years 2000 through 2003 that we collected for previous GAO reports dealing with the MSA⁶ and compared it with receipts and allocations for fiscal years 2004 and 2005.

Categories of States' Allocations

Budget shortfalls: This category is comprised of amounts allocated to balance state budgets and close gaps or reduce deficits resulting from lower than anticipated revenues or increased mandatory or essential expenditures.

Debt service on securitized funds: This category consists of amounts allocated to service the debt on bonds issued when the state securitized all or a portion of its MSA payments.

⁶GAO-01-851, GAO-03-407, and GAO-04-518.

Economic development for tobacco regions: This category is comprised of amounts allocated for economic development projects in tobacco states, such as infrastructure projects, education and job training programs, and research on alternative uses of tobacco and alternative crops. This category includes projects specifically designed to benefit tobacco growers as well as economic development that may serve a larger population within a tobacco state.

Education: This category is comprised of amounts allocated for education programs such as day care, preschool, Head Start, early childhood education, elementary and secondary education, after-school programs, and higher education. This category does not include money for capital projects such as construction of school buildings.

General purposes: This category is comprised of amounts allocated for attorneys' fees and other items, such as law enforcement or community development, that could not be placed into a more precise category. This category also includes amounts allocated to a state's general fund that were not earmarked for any particular purpose. Amounts used to balance state budgets and close gaps or reduce deficits should be categorized as budget shortfalls, rather than as general purposes.

Health: This category is comprised of amounts allocated for direct health care services; health insurance, including Medicaid and the State Children's Health Insurance Program; hospitals; medical technology; public health services; and health research. This category does not include money for capital projects such as construction of health facilities.

Infrastructure: This category is comprised of amounts allocated for capital projects such as construction and renovation of health-care, education and social services facilities; water and transportation projects; and municipal and state government buildings. This category includes retirement of debt owed on capital projects.

Payments to tobacco growers: This category is comprised of amounts allocated for direct payments to tobacco growers, including subsidies and crop conversion programs.

Reserves/Rainy day funds: This category is comprised of amounts allocated to state budget reserves such as rainy day and budget stabilization funds not earmarked for specific programs. Amounts allocated to reserves that are earmarked for specific areas are categorized

under those areas—for example, reserve amounts earmarked for economic development purposes should be categorized in the economic development category.

Social services: This category is comprised of amounts allocated for social services, such as programs for the aging, assisted living, Meals on Wheels, drug courts, child welfare, and foster care. This category also includes amounts allocated to special funds established for children’s programs.

Tax reductions: This category is comprised of amounts allocated for tax reductions such as property tax rebates and earned income tax credits.

Tobacco control: This category is comprised of amounts allocated for tobacco control programs such as prevention, including youth education, enforcement, and cessation services.

Unallocated: This category is comprised of amounts not allocated for any specific purpose, such as amounts allocated to dedicated funds that have no specified purpose; amounts states chose not to allocate in the year MSA payments were received that will be available for allocation in a subsequent fiscal year; interest earned from dedicated funds not yet allocated; and amounts that have not been allocated because the state had not made a decision on the use of the MSA payments.

Allocations of MSA Payments for 46 States

State	Percent
Alabama	1.6161308%
Alaska	0.3414187
Arizona	1.4738845
Arkansas	0.8280661
California	12.7639554
Colorado	1.3708614
Connecticut	1.8565373
Delaware	0.3954695
Georgia	2.4544575
Hawaii	0.6018650
Idaho	0.3632632
Illinois	4.6542472
Indiana	2.0398033
Iowa	0.8696670
Kansas	0.8336712
Kentucky	1.7611586
Louisiana	2.2553531
Maine	0.7693505
Maryland	2.2604570
Massachusetts	4.0389790
Michigan	4.3519476
Missouri	2.2746011
Montana	0.4247591
Nebraska	0.5949833
Nevada	0.6099351
New Hampshire	0.6659340
New Jersey	3.8669963
New Mexico	0.5963897
New York	12.7620310
North Carolina	2.3322850
North Dakota	0.3660138
Ohio	5.0375098
Oklahoma	1.0361370
Oregon	1.1476582
Pennsylvania	5.7468588

Appendix II
Allocations of MSA Payments for 46 States

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State	Percent
Rhode Island	0.7189054
South Carolina	1.1763519
South Dakota	0.3489458
Tennessee	2.4408945
Utah	0.4448869
Vermont	0.4111851
Virginia	2.0447451
Washington	2.0532582
West Virginia	0.8864604
Wisconsin	2.0720390
Wyoming	0.2483449

Sources: [GAO-04-518](#) and the Master Settlement Agreement.

States' Allocations of Combined MSA Payments and Securitized Proceeds for Fiscal Years 2000 through 2005

Dollars in millions (current year dollars) and percent^a

Category	Fiscal year									
	2000-01		2002		2003		2004		2005 (expected)	
	Allocation	%	Allocation	%	Allocation	%	Allocation	%	Allocation	%
Budget shortfalls	a	a	\$2,448	20%	\$5,038	36%	\$5,059	44%	\$686	11%
Debt service on securitized funds	a	a	271	2	339	2	998	9	1,405	23
Economic development for tobacco regions	\$466	4%	218	2	285	2	291	3	284	5
Education	848	7	1,132	9	531	4	280	2	287	5
General purposes	623	5	684	6	1,111	8	747	7	666	11
Health	4,788	38	4,434	37	3,455	24	2,263	20	1,898	32
Infrastructure	294	2	1,222	10	1,044	7	759	7	164	3
Payments to tobacco growers	235	2	192	2	43	0	25	0	26	0
Reserves/ Rainy day funds	603	5	124	1	24	0	14	0	18	0
Social services	231	2	278	2	160	1	142	1	136	2
Tax reductions	416	3	35	0	109	1	56	1	0	0
Tobacco control	790	6	375	3	276	2	223	2	268	5
Unallocated	3,217	26	584	5	1,720	12	575	5	161	3
Total	\$12,511	100%	\$11,998	99%	\$14,135	99%	\$11,432	101%	\$5,998	100%

Sources: GAO-04-518 and state budget offices or their designees (data); GAO (analysis).

Note: Percentages and totals may not add up due to rounding. The amounts for each year are in the current year dollars for that year. Percentages across years may be compared but not dollars across years because the dollars are not adjusted to a constant base year.

^aWe did not obtain information on allocations for budget shortfalls and debt service on securitized funds in fiscal years 2000 and 2001.

State-Specific Information on Amounts of Master Settlement Agreement Payments and Securitized Proceeds Received and Allocated

This appendix presents the following information for each of the 46 states that are party to the MSA:

- the amount of MSA payments received and the categories to which they were allocated for fiscal year 2004;
- the amount of MSA payments expected to be received and the expected categories to which they will be allocated for fiscal year 2005; and
- the amount of securitized proceeds received or expected to be received and the categories to which they were allocated or expected to be allocated for fiscal years 2004 and 2005, respectively, if applicable (applies to 5 states).

Tables 6 through 51 include only those program categories to which a state reported allocating funds. If a category is not listed, it means the state did not allocate funds to the category. In some cases, the total amounts allocated may exceed the actual MSA payments and securitized proceeds because the amounts allocated include carry-over funds from prior years and/or the interest earned on those funds. Some states that allocated funds to a program category did not provide examples of programs receiving funds. Only 5 states—Iowa, New Jersey, New York, Oregon, and Rhode Island—received or expected to receive, or allocated or expected to allocate, securitized proceeds in fiscal year 2004 or 2005, respectively. In those cases, we combined securitized proceeds with MSA payments before allocating the funds to categories.

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Alabama

Alabama reported receiving \$101,871,680 from MSA payments in fiscal year 2004 and expects to receive \$96,000,000 in fiscal year 2005.

Table 6: Alabama's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$13,000,000	\$13,000,000	
Education	11,675,188	10,903,817	Alternative schools
General purposes	7,524,430	7,027,298	Juvenile Probation Officers, Administration, Forensic Sciences
Health	43,933,579	41,030,925	Public Health, mental health, Medicaid, senior services
Social services	25,207,792	23,542,332	Child welfare, Children's programs, Youth services
Tobacco control	530,690	495,628	Tobacco enforcement on minors
Total	\$101,871,679	\$96,000,000	

Source: Alabama Executive Budget Office.

Alaska

Alaska reported receiving \$21,438,845 from MSA payments in fiscal year 2004 and expects to receive \$23,347,500 in fiscal year 2005.

Table 7: Alaska's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$17,151,076	\$18,678,000	
Health	857,554	1,111,500	Medicaid and public health
Tobacco control	3,430,215	3,558,000	Sting operations
Total	\$21,438,845	\$23,347,500	

Source: Alaska Office of Management and Budget.

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Arizona

Arizona reported receiving \$92,648,165 from MSA payments in fiscal year 2004 and expects to receive \$90,304,100 in fiscal year 2005.

Table 8: Arizona's MSA Payment Allocation

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Health	\$92,648,165	\$90,304,100	
Total	\$92,648,165	\$90,304,100	

Source: Arizona Governor's Office of Strategic Planning and Budgeting.

Arkansas

Arkansas reported receiving \$52,688,976 from MSA payments in fiscal year 2004 and expects to receive \$50,000,000 in fiscal year 2005.

Table 9: Arkansas's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$5,000,000	\$5,000,000	
Education	2,486,503	2,346,300	School of Public Health
Health	44,391,493	41,842,720	Prevention and cessation, biomedical research, Medicaid, and Minority Health
Tobacco control	810,980	810,980	Sales to Minors Enforcement
Total	\$52,688,976	\$50,000,000	

Source: Arkansas Department of Finance and Administration.

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California

California reported receiving \$400,746,161 from MSA payments in fiscal year 2004 and expects to receive \$404,500,000 in fiscal year 2005.

Table 10: California's MSA Payment Allocation

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$400,746,161	\$404,500,000	
Total	\$400,746,161	\$404,500,000	

Source: California Department of Finance.

Note: These MSA payments include only payments made to the state, which amount to 50 percent of the annual payments made by the tobacco companies to California. Cities and counties in the state receive the other 50 percent of the annual MSA payments to California.

Colorado

Colorado reported receiving \$87,037,529 from MSA payments in fiscal year 2004 and expects to receive \$88,878,470 in fiscal year 2005.

Table 11: Colorado's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$0	\$26,159,617	
Education	11,398,410	16,592,664	Literacy programs for elementary students, regional libraries, state council on the arts
Health	32,665,516	36,140,261	Nurse home visitor's program, primary and preventive care grants, Children's Health Insurance Program+, breast and cervical cancer program, dental loan repayment, Medicaid mental health capitation, Child Mental Health Treatment Act

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Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Infrastructure	0	1,900,000	Fitzsimons Health Sciences Center at the University of Colorado
Social services	1,902,681	4,351,876	State veteran's fund, legal services for victims of family violence, services to juveniles
Tobacco control	3,939,029	4,351,876	Cessation and prevention grants
Total	\$49,905,636	\$89,496,294^a	

Source: Colorado Governor's Office of State Planning and Budgeting.

^aAmount includes carry-over funds and interest earned.

Connecticut

Connecticut reported receiving \$116,578,313 from MSA payments in fiscal year 2004 and expects to receive \$109,000,000 in fiscal year 2005.

Table 12: Connecticut's MSA Payment Allocation

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$116,578,313	\$109,000,000	General fund revenue
Total	\$116,578,313	\$109,000,000	

Source: Connecticut Office of Policy and Management, Fiscal and Program Policy Section.

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Delaware

Delaware reported receiving \$24,832,878 from MSA payments in fiscal year 2004 and expects to receive \$26,100,000 in fiscal year 2005.

Table 13: Delaware’s MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$1,297,100	\$1,655,200	Scholarships for nursing students at community college and those working in state facilities
General purposes	169,700	169,700	Health Care Commission staff; survey of school-age children on alcohol, drug, and tobacco use; establishment and support of health library network
Health	18,070,200	18,773,100	Breast and cervical cancer screening, Senior Prescription Assistance Program, several cancer resource/support programs, defibrillators
Social services	430,000	430,000	Attendant care services for persons living in the community with disabilities
Tobacco control	5,072,000	5,072,000	Tobacco prevention, control, and enforcement (e.g., Quitline smoking cessation programs and advertising, undercover kids, enforcement agents)
Total	\$25,039,000^a	\$26,100,000	

Source: Delaware Health and Social Services.

^aAmount includes carry-over funds.

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Georgia

Georgia reported receiving \$156,330,702 from MSA payments in fiscal year 2004 and expects to receive \$146,123,673 in fiscal year 2005.

Table 14: Georgia's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Economic development for tobacco regions	\$65,834,093	\$47,123,333	OneGeorgia Authority
Health	88,894,466	89,293,004	Support for Medicaid and State Children's Health Insurance Program, Critical Access Hospital Reimbursement, Medicaid Home and Community Based Waiver Programs, Georgia Cancer Coalition, public health programs
Social services	7,149,804	7,149,804	Home and community-based services to the elderly, early intervention for families at risk for child abuse
Tobacco control	12,506,336	12,803,859	Tobacco Use Prevention Program, compliance and enforcement for underage smoking
Total	\$174,384,699^a	\$156,370,000^a	

Source: Georgia Office of Planning and Budget.

^aAmounts include carry-over funds.

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Hawaii

Hawaii reported receiving \$38,837,269 from MSA payments in fiscal year 2004 and expects to receive \$42,574,552 in fiscal year 2005.

Table 15: Hawaii's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$2,814,702	\$3,054,035	Tobacco Enforcement Special Fund of the Attorney General's Office for MSA enforcement, assessments for central services and administrative expenses
Health	12,607,898	13,832,181	Department of Health for public health programs, Department of Human Services for children's health insurance programs
Infrastructure	10,086,319	11,065,745	Debt service on University of Hawaii revenue bonds issued for the new Health and Wellness Center, to include a new biomedical research center and medical school
Reserves/ Rainy day funds	8,825,529	9,682,527	State of Hawaii's Emergency and Budget Reserve Fund
Tobacco control	4,502,821	4,940,064	Tobacco Prevention and Control Trust Fund
Total	\$38,837,269	\$42,574,552	

Source: Hawaii Department of Budget and Finance.

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Idaho

Idaho reported receiving \$22,818,949 from MSA payments in fiscal year 2004 and expects to receive \$23,830,716 in fiscal year 2005.

Table 16: Idaho's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Health	\$835,000	\$500,000	Catastrophic Health Care Cost Program for tobacco-related disease treatment and for caring for indigent persons
Social services	270,000	270,000	Youth courts and status offender programs related to tobacco and substance abuse issues
Tobacco control	1,333,700	1,169,700	Youth smoking cessation and reduction program; incorporation of tobacco control model within Idaho health care recommended by the Centers for Disease Control and Prevention; tobacco counter-marketing program; public health districts tobacco cessation programs; youth tobacco investigations
Unallocated	20,380,249	21,891,016	
Total	\$22,818,949	\$23,830,716	

Source: Idaho Division of Financial Management.

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Illinois

Illinois reported receiving \$292,256,066 from MSA payments in fiscal year 2004 and expects to receive \$270,989,300 in fiscal year 2005.

Table 17: Illinois's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$15,760,000	\$13,800,000	Payments to Centers for Academic Excellence for medical research
General purposes	40,064,867	25,961,291	Technology marketing, technology centers, administrative fees charged to the tobacco fund, audit expenses charged to the tobacco fund (\$22.5 million is automatically diverted into an escrow account for attorneys' fees)
Health	181,772,387	239,867,350	Medicaid drugs, drugs for Senior Citizens
Infrastructure	2,963,066	5,000,000	Capital maintenance on state-owned facilities
Social services	1,030,856	1,100,000	Outreach program to the aging
Tax reductions	55,661,645	0	Property tax reduction for senior citizens
Tobacco control	7,664,670	12,914,500	Tobacco prevention activities of local health departments, tobacco control programs, tobacco enforcement programs, enforcement of MSA provisions, grant to the American Lung Association
Total	\$304,917,491^a	\$298,643,141^a	

Source: Illinois Governor's Office of Management and Budget.

^aAmounts include carry-over funds.

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Indiana

Indiana reported receiving \$126,800,000 from MSA payments in fiscal year 2004 and expects to receive \$129,300,000 in fiscal year 2005.

Table 18: Indiana's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Economic development for tobacco regions	\$46,200,000	\$46,200,000	Rural Development Administration Fund, Rural Development Council Fund, Value-Added Research Fund, Technology Development Grant Fund, 21st Century Research and Technology Fund
Health	86,800,000	89,200,000	State Department of Health administration, Cancer Registry, Sickle Cell, Aid to TB Hospitals, AIDS Education, HIV/AIDS Services, Test for Drug-Afflicted Babies, State Chronic Diseases, WIC Supplement, MCH Supplement, Breast Cancer Education and Diagnosis, Minority Health Initiative, Minority Epidemiology, Children's Health Insurance Program, Hoosier Rx, Local Health Maintenance Fund, Local Health Department Account, Community Health Centers
Infrastructure	1,450,000	1,450,000	Regional health facilities
Social services	24,300,000	24,300,000	Developmentally Disabled (DD) client services, DD Direct Care salaries
Tobacco control	10,800,000	10,800,000	Tobacco use and prevention cessation control
Total	\$169,550,000^a	\$171,950,000^a	

Source: Indiana State Budget Agency.

^aAmounts include carry-over funds and interest earned.

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Iowa

Iowa reported receiving \$54,609,359 from MSA payments in fiscal year 2004 and expects to receive \$55,137,861 in fiscal year 2005. In addition, Iowa reported receiving \$63,512,236 in securitized proceeds in fiscal year 2004 and expects to receive \$63,792,236 in fiscal year 2005.

Table 19: Iowa's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$42,595,300	\$43,007,532	
Education	2,153,250	2,153,250	Early childhood programs
General purposes	2,107,285	2,237,285	Correctional programs
Health	66,197,195	66,445,465	Endowment for Iowa's Health Account
Tobacco control	5,068,565	5,086,565	Tobacco use/control and cessation programs
Total	\$118,121,595	\$118,930,097	

Source: Iowa Department of Management.

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Kansas

Kansas reported receiving \$52,349,060 from MSA payments in fiscal year 2004 and expects to receive \$52,000,000 in fiscal year 2005.

Table 20: Kansas's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$8,525,000	\$8,525,000	Parent education, 4-year-olds at risk, vision research, special education
General purposes	11,044,144	5,111,533	To State General Fund
Health	1,800,000	1,800,000	Infants and toddlers, healthy start home visitors, smoking prevention and cessation, telekid health care link
Social services	32,407,931	41,865,293	Juvenile justice prevention and sanction grants, children's mental health initiative, family-centered systems of care, therapeutic preschool, childcare and child welfare community services, healthwave, Medicaid, smart start Kansas, immunization outreach, school violence prevention, family preservation, community mental health center grants
Total	\$53,777,075^a	\$57,301,826^a	

Source: Kansas Division of the Budget.

^aAmounts include carry-over funds and interest earned.

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Kentucky

Kentucky reported receiving \$109,482,959 from MSA payments in fiscal year 2004 and expects to receive \$108,800,000 in fiscal year 2005.

Table 21: Kentucky’s MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Economic development for tobacco regions	\$43,434,000	\$48,283,400	Governor’s Office for Agricultural Policy, Conservation, Environmental Stewardship
Education	5,961,700	10,952,500	Families and Children—Childhood Development Program, Governor’s Office of Early Childhood—Development Program, Kentucky’s Higher Education Assistance Authority—Early Childhood Scholarship Program
General purposes	382,959	0	Directed to the General Fund
Health	43,624,200	38,500,700	Public Health—Health Access Nurturing Development Services, Folic Acid Distribution, Healthy Start, Universal Children’s Immunization; Child advocacy centers; Early Childhood Mental and Oral Health; Mental Health-Substance Abuse Services to Medicaid Eligible Women with Dependent Children; Children with Special Health Care Needs-Universal Newborn Hearing Testing and Vision Screening, Council on Postsecondary Education—Lung Cancer Research Program; Insurance—Kentucky Access (High Risk Individual Insurance Pool); Testing and Vision Screening—First Steps Early Intervention Program
Infrastructure	11,116,000	6,116,600	Debt service—Kentucky Infrastructure Authority—Water Resource Development
Tobacco control	4,964,100	4,946,800	Public Health—Smoking cessation; Governor’s Office—Kentucky Agency for Substance Abuse Policy—Smoking Cessation
Total	\$109,482,959	\$108,800,000	

Source: Kentucky Governor’s Office for Policy Research.

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Louisiana

Louisiana reported receiving \$141,621,328 from MSA payments in fiscal year 2004 and expects to receive \$145,362,442 in fiscal year 2005.

Table 22: Louisiana's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$84,972,800	\$87,217,465	
General purposes	341,260	350,000	Attorney General's Office for enforcement
Health	11,831,735	13,686,244	School-based health care centers (OPH), Medicaid, Board of Regents and health care science grants
Social services	1,489,137		Starting points preschool programs
Tobacco control	500,000	500,000	Smoking prevention and cessation grants
Unallocated	42,486,396	43,608,733	
Total	\$141,621,328	\$145,362,442	

Source: Louisiana Division of Administration, Office of Planning and Budget.

Maine

Maine reported receiving \$48,952,964 from MSA payments in fiscal year 2004 and expects to receive \$48,772,127 in fiscal year 2005.

Table 23: Maine's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$6,656,040	\$0	
Education	10,166,959	11,069,704	Child care and development initiatives, after-school services and Head Start
General purposes	60,089	58,281	Attorney General enforcement and administrative costs

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Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Health	19,425,389	19,214,049	Prescription drugs, Medicaid and other health initiatives
Social services	5,808,184	5,765,892	Substance abuse prevention, intervention, testing and treatment
Tobacco control	14,579,102	15,120,903	Community/school grants and statewide coordination to reduce tobacco addiction and use; tobacco prevention, control, and treatment
Total	\$56,695,763^a	\$51,228,829^a	

Source: Maine Department of Administrative and Financial Services, Bureau of the Budget.

^aAmounts include carry-over funds and/or interest earned.

Maryland

Maryland reported receiving \$149,942,000 from MSA payments in fiscal year 2004 and expects to receive \$142,607,000 in fiscal year 2005.

Table 24: Maryland's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$3,000,000	\$3,000,000	Textbooks for nonpublic schools
General purposes	30,000,000	30,170,000	Legal fees and settlement with outside counsel
Health	152,889,000	98,268,000	Cancer, heart, and lung screenings and treatments; Maryland Health Care Foundation; Medicaid; management
Payments to tobacco growers	5,100,000	5,653,000	Tri-County Council of Southern Maryland (buyout payments to farmers)
Tobacco control	13,798,000	9,484,000	Tobacco use prevention and cessation programs
Unallocated	10,360,000	6,391,000	
Total	\$215,147,000^a	\$152,966,000^a	

Source: Maryland Department of Budget and Management.

^aAmounts include carry-over funds and interest earned.

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Massachusetts

Massachusetts reported receiving \$253,621,276 from MSA payments in fiscal year 2004 and expects to receive \$253,600,000 in fiscal year 2005.

Table 25: Massachusetts's MSA Payment Allocation

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$253,943,730	\$253,600,000	All MSA revenues deposited in the Commonwealth's General Fund in fiscal years 2004 and 2005
Total	\$253,943,730^a	\$253,600,000	

Source: Massachusetts Executive Office of Administration and Finance, Fiscal Affairs Division.

^aAmount includes interest earned.

Michigan

Michigan reported receiving \$270,540,221 from MSA payments in fiscal year 2004 and expects to receive \$285,700,000 in fiscal year 2005.

Table 26: Michigan's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$64,000,000	\$7,000,000	
Education	104,900,000	102,200,000	Scholarships and tuition incentive grants for higher education students, testing for K-12 students, Michigan Education Savings Plan, nursing scholarships, general higher education support
General purposes	400,000	400,000	Attorney General administrative expenses
Health	107,700,000	186,800,000	Elder pharmaceutical assistance, Medicaid personal needs allowance, respite care, Medicaid support, biomedical research and development
Unallocated	9,200,000	500,000	
Total	\$286,200,000^a	\$296,900,000^a	

Source: Michigan Office of Health and Human Services, State Budget Office.

^aAmounts include carry-over funds and interest earned.

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Missouri

Missouri reported receiving \$142,829,966 from MSA payments in fiscal year 2004 and expects to receive \$144,000,000 in fiscal year 2005.

Table 27: Missouri's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$70,715,848	\$70,772,048	
General purposes	4,426,858	2,427,411	Transferred to state general revenue fund to support any state program funded from general revenue, such as education, Medicaid and corrections
Health	69,726,564	70,369,652	Payments to Medicaid providers and grants to hospitals for graduate medical education, prescription drug assistance for low-income seniors through the Missouri Senior Rx Program
Tobacco control	472,829	482,414	Enforcement of the state's laws on underage tobacco use
Total	\$145,342,099^a	\$144,051,525^a	

Source: Missouri Division of Budget and Planning.

^aAmounts include carry-over funds.

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Montana

Montana reported receiving \$26,672,073 from MSA payments in fiscal year 2004 and expects to receive \$26,223,000 in fiscal year 2005.

Table 28: Montana's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$2,933,928	\$2,884,530	General fund transfer
Health	18,250,852	18,601,209	State Children's Health Insurance Program, Medicaid, Mental health services, hospice and home health and Tobacco Trust Fund
Social services	2,149,579	2,589,726	Childcare, child support enforcement, infant mortality abatement, poison control, AIDS prevention, independent living and extended employment
Tobacco control	2,514,645	2,970,604	Tobacco prevention
Unallocated	823,069	0	
Total	\$26,672,073	\$27,046,069^a	

Source: Montana Office of Budget and Planning.

^aAmount includes carry-over funds.

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Nebraska

Nebraska reported receiving \$37,858,162 from MSA payments in fiscal year 2004 and expects to receive \$35,600,000 in fiscal year 2005.

Table 29: Nebraska’s MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$88,437	\$86,595	MSA model statute enforcement
Health	21,006,570	20,333,933	Behavioral health, public health, minority health, State Children’s Health Insurance Program, biomedical research
Social services	2,788,800	2,730,700	Community-based developmental disability services, respite care assistance
Unallocated	13,974,355	12,448,772	
Total	\$37,858,162	\$35,600,000	

Source: Nebraska Department of Administrative Services, Budget Division.

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Nevada

Nevada reported receiving \$38,299,907 from MSA payments in fiscal year 2004 and expects to receive \$38,666,164 in fiscal year 2005.

Table 30: Nevada's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$29,254,375	\$32,966,914	Scholarship program for Nevada students who attend a Nevada higher education institution
General purposes	257,412	260,971	Attorney General's tobacco retail enforcement and master settlement legal expenses
Health	14,166,437	12,986,804	Grants to improve health services for children and persons with disabilities, prescription drugs and pharmaceutical services for low-income seniors, and an endowment fund that expends interest earnings to provide grants for the promotion of public health
Social services	8,948,725	7,437,291	Grants to assist senior citizens to live independently, support senior services, and a homemaker program
Tobacco control	5,013,173	4,679,439	Grants for tobacco cessation programs
Total	\$57,640,122^a	\$58,331,419^a	

Source: Nevada Budget Office.

^aAmounts include carry-over funds.

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New Hampshire

New Hampshire reported receiving \$41,800,000 from MSA payments in fiscal year 2004 and expects to receive \$39,600,000 in fiscal year 2005.

Table 31: New Hampshire's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$40,000,000	\$39,600,000	K-12 adequate grants to schools
General purposes	1,800,000	0	No specific programs
Total	\$41,800,000	\$39,600,000	

Source: New Hampshire Office of Legislative Budget Assistant.

New Jersey

New Jersey reported receiving \$242,800,000 from MSA payments in fiscal year 2004 and expects to receive \$245,100,000 in fiscal year 2005.

Table 32: New Jersey's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$873,300,000	\$0	
Debt service on securitized funds	120,200,000	245,100,000	
Health	122,600,000	0	Family Care, new and expanded community options for seniors, expansion of cancer initiative, Senior Gold Pharmaceutical Assistance
Infrastructure	608,000,000	0	Institutional, transportation and other projects
Total	\$1,724,100,000^a	\$245,100,000	

Source: New Jersey Office of Management and Budget.

^aAmount includes some securitized proceeds received in fiscal year 2003.

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New Mexico

New Mexico reported receiving \$37,449,345 from MSA payments in fiscal year 2004 and expects to receive \$34,779,246 in fiscal year 2005.

Table 33: New Mexico's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$800,000	\$800,000	Education in trauma, critical, and emergency care and pediatrics
General purposes	0	12,644,246	Balances after appropriations to education and health are deposited into the General Fund
Health	36,649,345	21,335,000	Tobacco cessation and prevention, diabetes and HIV services and medication, breast and cervical cancer treatment, preventing and treating tobacco-related illnesses, poison control, telemedicine, expanded lung and illness research, Medicaid
Total	\$37,449,345	\$34,779,246	

Source: New Mexico Department of Finance and Administration.

New York

New York reported receiving \$349,494,266 from MSA payments in fiscal year 2004 and expects to receive \$406,007,613 in fiscal year 2005. In addition, New York reported receiving \$4,200,000,000 in securitized proceeds in fiscal year 2004 and expects to receive no securitized proceeds in fiscal year 2005.

Table 34: New York's Allocation of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$3,800,000,000	\$582,034,000	
Debt service on securitized funds	0	223,973,217	

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Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Health	322,016,427	0	Medicaid, indigent care, elderly pharmaceutical program, Family Health Plus, health insurance for the uninsured, breast and cervical cancer treatment and similar programs
Tobacco control	30,000,000	0	Tobacco control and prevention activities
Unallocated	400,000,000	0	
Total	\$4,552,016,427	\$806,007,217^a	

Source: New York State Division of the Budget.

^aAmount includes some securitized proceeds received in fiscal year 2004.

Note: These MSA payments include only the payments made to the state, which amount to about 51 percent of the annual payments made by the tobacco companies to New York. New York City and counties in the state receive the other 49 percent of the annual MSA payments to New York.

North Carolina

North Carolina reported receiving \$150,507,204 from MSA payments in fiscal year 2004 and expects to receive \$163,353,241 in fiscal year 2005.

Table 35: North Carolina's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Economic development for tobacco regions	\$75,733,669	\$86,569,690	Tobacco Trust Fund (Golden Leaf)
General purposes	63,046,734	60,000,000	
Health	1,926,801	4,193,069	Health and Wellness Trust Fund (medication assistance and childhood obesity prevention)
Infrastructure	0	1,890,482	
Tobacco control	10,700,000	10,700,000	Statewide and community-based teen tobacco use prevention and cessation
Total	\$151,407,204^a	\$163,353,241	

Source: North Carolina Office of State Budget and Management.

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^a Amount includes carry-over funds.

North Dakota

North Dakota reported receiving \$23,289,073 from MSA payments in fiscal year 2004 and expects to receive \$22,972,067 in fiscal year 2005.

Table 36: North Dakota's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Education	\$10,480,083	\$10,337,430	Forty-five percent of the MSA funds are deposited in the common schools trust fund and interest earned on the fund is used for K-12 education
Health	482,000	482,000	Dental loan repayment program, breast and cervical cancer screening
Infrastructure	10,480,083	10,337,430	Water projects
Tobacco control	1,846,907	1,815,207	Tobacco cessation programs
Total	\$23,289,073	\$22,972,067	

Source: North Dakota Office of Management and Budget, Fiscal Management Division.

Ohio

Ohio reported receiving \$320,531,457 from MSA payments in fiscal year 2004 and expects to receive \$290,886,750 in fiscal year 2005.

Table 37: Ohio's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$234,678,219	\$0	
Economic development for tobacco regions	15,144,938	12,600,000	Grants to make capital improvements in marketable industrial sites
Education	7,553,152	6,274,109	Technology enhancements in schools

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Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	786,109	801,831	Administration, oversight, enforcement activities related to the MSA
Health	37,237,451	34,681,892	Minority health programs, alcohol and drug abuse prevention and biomedical tech transfer
Infrastructure	5,000,000	126,389,326	School construction
Social services	3,852,400	3,855,051	Funding for uncompensated health care of uninsured
Tobacco control	17,487,294	108,136,000	Under-age tobacco use enforcement and tobacco use prevention and cessation programs
Total	\$321,739,563^a	\$292,738,209^a	

Source: Ohio Office of Budget and Management.

^a Amounts include carry-over funds and interest earned.

Oklahoma

Oklahoma reported receiving \$65,062,578 from MSA payments in fiscal year 2004 and expects to receive \$49,783,729 in fiscal year 2005.

Table 38: Oklahoma's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$1,411,918	\$1,016,000	Attorney General's Evidence Fund
Health	30,964,800	34,613,717	Medicaid and deposit to Tobacco Settlement Endowment Trust Fund on behalf of health programs
Social services	15,610,837	0	Child welfare, foster care, services for homebound elders and senior nutrition
Tobacco control	17,075,023	14,154,012	Deposit to the Tobacco Settlement Endowment Trust Fund on behalf of tobacco control programs
Total	\$65,062,578	\$49,783,729	

Source: Oklahoma Office of State Finance.

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Oregon

Oregon reported receiving \$72,065,376 from MSA payments in fiscal year 2004 and expects to receive \$73,555,259 in fiscal year 2005. In addition, Oregon reported receiving \$109,565,000 in securitized proceeds in fiscal year 2004 and expects to receive no securitized proceeds in fiscal year 2005.

Table 39: Oregon's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$7,603,713	\$43,860,304	
Health	14,608,216	27,600,000	Oregon health plan/family health insurance assistance program
Infrastructure	109,565,000	0	Capital projects at Oregon Health and Sciences University—a state teaching hospital
Tobacco control	0	700,000	Tobacco enforcement and prevention services
Unallocated	49,853,447	51,248,402	
Total	\$181,630,376	\$123,408,706^a	

Source: Oregon Department of Administrative Services.

^aAmount includes carry-over funds.

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Pennsylvania

Pennsylvania reported receiving \$370,856,755 from MSA payments in fiscal year 2004 and expects to receive \$357,566,328 in fiscal year 2005.

Table 40: Pennsylvania's MSA Payment Allocation

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Health	\$416,818,000	\$370,857,000	Smoking prevention and cessation; home and community-based care; venture capital for medical equipment, support for the uninsured; and catastrophic and uncompensated care
Total	\$416,818,000^a	\$370,857,000^a	

Source: Pennsylvania Governor's Office of the Budget.

^aAmounts include carry-over funds and interest earned.

Rhode Island

Rhode Island reported receiving \$45,142,523 from MSA payments in fiscal year 2004 and expects to receive \$47,381,000 in fiscal year 2005. In addition, Rhode Island reported receiving \$1,621,487 in securitized proceeds in fiscal year 2004 and expects to receive no securitized proceeds in fiscal year 2005.

Table 41: Rhode Island's Allocations of MSA Payments and Securitized Proceeds

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$44,688,862	\$47,381,000	
General purposes	2,075,148	0	Any program that receives general fund support
Total	\$46,764,010	\$47,381,000	

Source: State of Rhode Island Budget Office.

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South Carolina

South Carolina reported receiving \$73,124,607 from MSA payments in fiscal year 2004 and expects to receive \$75,582,954 in fiscal year 2005.

Table 42: South Carolina's MSA Payment Allocation

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$73,124,607	\$75,582,954	
Total	\$73,124,607	\$75,582,954	

Source: South Carolina Office of State Budget.

South Dakota

South Dakota reported receiving \$21,911,498 from MSA payments in fiscal year 2004 and expects to receive \$23,063,730 in fiscal year 2005.

Table 43: South Dakota's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$21,911,948	\$23,063,730	
Education	14,161,048	13,572,737	State aid to general education, special education, supplemental K-12 allocation, technology in schools, SD Opportunity scholarship, post-secondary vocational education
Tobacco control	0	750,000	
Total	\$36,072,996^a	\$37,386,467^a	

Source: South Dakota Bureau of Finance and Management.

^aAmounts include interest earned.

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Tennessee

Tennessee reported receiving \$153,272,096 from MSA payments in fiscal year 2004 and expects to receive \$147,800,000 in fiscal year 2005.

Table 44: Tennessee’s MSA Payment Allocation

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$153,272,096	\$147,800,000	Allocated to the General Fund; not earmarked
Total	\$153,272,096	\$147,800,000	

Source: Tennessee Department of Finance and Administration.

Utah

Utah reported receiving \$27,936,000 from MSA payments in fiscal year 2004 and expects to receive \$26,951,100 in fiscal year 2005.

Table 45: Utah’s MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Budget shortfalls	\$9,821,500	\$0	
General purposes	100,000	100,000	Attorney General’s office
Health	13,002,800	13,002,800	State Children’s Health Insurance Program, cancer research, immunizations, health promotion
Reserves/ Rainy day funds	5,587,200	8,085,300	Tobacco Permanent Trust Fund—an endowment that allows the Legislature to allocate the interest to fund programs
Social services	2,000,000	2,000,000	Drug courts, drug board pilot program
Tobacco control	4,057,900	4,076,000	Tobacco Quit line, TV campaign and prevention partnerships
Total	\$34,569,400^a	\$27,264,100^a	

Source: Utah Governor’s Office of Planning and Budget.

^aAmounts include carry-over funds.

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Vermont

Vermont reported receiving \$25,819,716 from MSA payments in fiscal year 2004 and expects to receive \$24,700,000 in fiscal year 2005.

Table 46: Vermont's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$388,000	\$388,000	Attorney General, Tax Department, Drug Court
Health	17,250,000	17,250,000	Medicaid state match
Social services	2,885,266	4,522,111	Alcohol and drug programs; safe housing (domestic violence)
Tobacco control	4,120,177	4,756,157	School and public education programs
Total	\$24,643,443^a	\$26,916,268^a	

Source: Vermont Department of Finance and Management.

^aAmounts include carry-over funds.

Virginia

Virginia reported receiving \$128,396,522 from MSA payments in fiscal year 2004 and expects to receive \$123,256,595 in fiscal year 2005.

Table 47: Virginia's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Economic development for tobacco regions	\$44,776,339	\$43,094,800	Economic development projects, infrastructure, education, job training, research and administration of the Tobacco Indemnification and Community Revitalization Commission
General purposes	51,358,608	0	Deposited to the state general fund and appropriated through the budget process
Health	0	47,542,895	Deposited to the Virginia Health Care Fund and used to support the Medicaid Program

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Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Payments to tobacco growers	19,421,923	20,000,000	Indemnification payments to tobacco growers
Tobacco control	12,839,652	12,618,900	Public education campaigns to discourage tobacco consumption by minors, research and the administrative budget of the Virginia Tobacco Settlement Foundation
Total	\$128,396,522	\$123,256,595	

Source: Virginia Department of Planning and Budget.

Washington

Washington reported receiving \$127,635,700 from MSA payments in fiscal year 2004 and expects to receive \$128,000,000 in fiscal year 2005.

Table 48: Washington's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$37,269,600	\$37,376,000	
Health	90,366,100	90,624,000	Children's Medicaid; subsidized health insurance for low-income state residents; grants to community clinics; grants to local public health jurisdictions; statewide public health programs such as childhood immunizations
Tobacco control	17,500,000	0	Tobacco prevention and cessation programs
Total	\$145,135,700^a	\$128,000,000	

Source: Washington State Office of Financial Management.

^aAmount includes carry-over funds.

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West Virginia

West Virginia reported receiving \$55,663,874 from MSA payments in fiscal year 2004 and expects to receive \$50,800,000 in fiscal year 2005.

Table 49: West Virginia's MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Health	\$21,990,532	\$19,549,408	Institutional facilities operations
Tobacco control	5,850,592	5,850,592	Tobacco education program, ABCA Tobacco Retailer Education Program
Unallocated	27,822,750	25,400,000	
Total	\$55,663,874	\$50,800,000	

Source: West Virginia Department of Revenue, State Budget Office.

Wisconsin

Wisconsin reported receiving \$130,110,401 from MSA payments in fiscal year 2004 and expects to receive \$137,126,872 in fiscal year 2005.

Table 50: Wisconsin's MSA Payment Allocation

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
Debt service on securitized funds	\$130,110,401	\$137,126,872	
Total	\$130,110,401	\$137,126,872	

Source: Badger Tobacco Asset Securitization Corporation.

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Wyoming

Wyoming reported receiving \$15,594,424 from MSA payments in fiscal year 2004 and expects to receive \$15,594,424 in fiscal year 2005.

Table 51: Wyoming’s MSA Payment Allocations

Program area	Fiscal year 2004 allocation	Fiscal year 2005 expected allocation	Examples of programs receiving or expected to receive allocations
General purposes	\$0	\$125,000	Attorney General’s Office—fees
Health	7,305,151	7,305,151	Substance abuse treatment and prevention services
Social services	4,056,823	3,931,823	Adolescence services and drug court
Tobacco control	4,232,450	4,232,450	Tobacco prevention, regional prenatal programs, community tobacco prevention activities and tobacco cessation
Total	\$15,594,424	\$15,594,424	

Source: Wyoming Department of Health, Substance Abuse Division.

GAO Survey on States' Allocations of Fiscal Years 2004 and 2005 Master Settlement Agreement Payments

United States Government Accountability Office



Survey on States' Allocations of Fiscal Years 2004 and 2005 Master Settlement Agreement Payments

Introduction

The U.S. Government Accountability Office (GAO) is an independent agency of the legislative branch that supports Congress in meeting its Constitutional responsibilities.

We are currently gathering information on states' allocation of fiscal years 2004 and 2005 Master Settlement Agreement (MSA) payments as required by the Farm Security and Rural Investment Act of 2002, and we will continue to gather similar information annually through 2006. This year we are seeking information on (1) the actual amount of fiscal year 2004 MSA payments and securitized proceeds received and the amount of fiscal year 2005 MSA payments and securitized proceeds expected to be received by each of the 46 states party to the MSA, and (2) how states allocated the 2004 payments and securitized proceeds and plan to allocate the 2005 payments and securitized proceeds.

In March 2004, we reported to the Congress on states' fiscal year 2003 actual payments and allocations and fiscal year 2004 expected payments and allocations. You can obtain a copy of the report via the internet at www.gao.gov and request report number GAO-04-518.

Most of the questions in this survey can be answered by checking boxes or filling in blanks. Space has been provided at the end of the survey for any additional comments. Your participation is very important and we urge you to complete this survey. We cannot provide meaningful information to the Congress on states' receipt and use of the tobacco settlement payments without your responses. Thank you for your time and assistance.

Instructions

You can either print out the survey and fill in the responses in hard copy and fax it to Stuart Ryba or Kim Chaffer at (404) 679-1819 or you can save the file containing the survey on your computer and e-mail the completed file to either Stuart Ryba (RybaS@gao.gov) or Kim Chaffer (ChafferK@gao.gov).

Contacts

If you have any questions about any aspect of this survey, please contact:

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Phone: (404) 679-1881
E-mail: RybaS@gao.gov

Kim Chaffer
Phone: (404) 679-1937
E-mail: ChafferK@gao.gov

Thank you in advance for your cooperation.

Appendix V
GAO Survey on States' Allocations of Fiscal
Years 2004 and 2005 Master Settlement
Agreement Payments

Glossary

Please refer to the following definitions when completing this survey:

Allocation – Refers to funds appropriated or otherwise designated (e.g., earmarked for a trust fund or an endowment that has a specific purpose). It also includes funds designated for debt servicing on bonds issued when a state securitized all or a portion of the MSA funds.

Fiscal year - Refers to your state's fiscal year.

MSA - Refers to the November 1998 Master Settlement Agreement, under which the attorneys general of 46 states signed a comprehensive agreement with four of the nation's largest tobacco companies requiring them to make annual payments to states in perpetuity as reimbursement for past tobacco-related costs.

Securitization - Refers to the use of MSA payments to back the issuance of bonds. More specifically, securitization is a type of structured financing method based on the cash flow of receivables or rights to future payments.

Definitions of MSA payment allocation categories

To standardize the information reported by the 46 states in prior years, GAO developed categories for the program areas to which states allocated their MSA payments. When classifying funds to a category, please include administrative costs that apply to that category.

Budget Shortfalls: This category is comprised of amounts allocated to balance state budgets and close gaps or reduce deficits resulting from lower than anticipated revenues or increased mandatory or essential expenditures.

Debt Service on Securitized Funds: This category consists of amounts allocated to service the debt on bonds issued when the state securitized all or a portion of its MSA payments.

Economic Development for Tobacco Regions: This category is comprised of amounts allocated for economic development projects in tobacco states such as infrastructure projects, education and job training programs, and research on alternative uses of tobacco and alternative crops. This category includes projects specifically designed to benefit tobacco growers as well as economic development that may serve a larger population within a tobacco state.

Education: This category is comprised of amounts allocated for education programs such as day care, preschool, Head Start, early childhood education, elementary and secondary education, after-school programs, and higher education. This category does not include money for capital projects such as construction of school buildings.

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GAO Survey on States' Allocations of Fiscal
Years 2004 and 2005 Master Settlement
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Glossary (Continued)

General Purposes: This category is comprised of amounts allocated for attorneys' fees and other items, such as law enforcement or community development, that could not be placed in a more precise category. This category also includes amounts allocated to the state's general fund that were not earmarked for any particular purpose. Amounts used to balance state budgets and close gaps or reduce deficits should be categorized as budget shortfalls rather than general purposes.

Health: This category is comprised of amounts allocated for direct health care services, health insurance including Medicaid and the State Children's Health Insurance Program (SCHIP), hospitals, medical technology, public health services, and health research. This category does not include money for capital projects such as construction of health facilities.

Infrastructure: This category is comprised of amounts allocated for capital projects such as construction and renovation of health care, education and social services facilities, water and transportation projects, and municipal and state government buildings. This category includes retirement of debt owed on capital projects.

Payments to Tobacco Growers: This category is comprised of amounts allocated for direct payments to tobacco growers including subsidies and crop conversion programs.

Reserves/Rainy Day Funds: This category is comprised of amounts allocated to state budget reserves such as rainy day and budget stabilization funds not earmarked for specific programs. Amounts allocated to reserves that are earmarked for specific areas are categorized under those areas--e.g., reserve amounts earmarked for economic development purposes should be categorized in the economic development category.

Social Services: This category is comprised of amounts allocated for social services such as programs for the aging, assisted living, Meals on Wheels, drug courts, child welfare, and foster care. This category also includes amounts allocated to special funds established for children's programs.

Tax Reductions: This category is comprised of amounts allocated for tax reductions such as property tax rebates and earned income tax credits.

Tobacco Control: This category is comprised of amounts allocated for tobacco control programs such as prevention, including youth education, enforcement and cessation services.

Unallocated: This category is comprised of amounts not allocated for any specific purpose, such as amounts allocated to dedicated funds that have no specified purpose; amounts states chose not to allocate in the year MSA payments were received that will be available for allocation in a subsequent fiscal year; interest earned from dedicated funds not yet allocated; and amounts that have not been allocated because the state had not made a decision on the use of the MSA payments.

**Appendix V
GAO Survey on States' Allocations of Fiscal
Years 2004 and 2005 Master Settlement
Agreement Payments**

Contact Information

Please provide the following information about the primary person completing this survey in case we need to clarify a response.

Name: _____
Agency: _____
Title: _____
Telephone number: _____
E-mail address: _____
Fax number: _____

MSA Payments and Securitized Proceeds Received

1. What was the amount of fiscal year 2004 MSA payments and securitized proceeds your state received?

MSA Payments: \$ _____
Securitized proceeds: \$ _____
Total: \$ _____

Note: If you would like to see the information your state submitted regarding expected fiscal year 2004 allocations on last year's survey, please contact us using the contact information listed on page 1 of this document and we will be happy to supply you with that information.

2. What is the amount of fiscal year 2005 MSA payments and securitized proceeds your state expects to receive?

Expected MSA payments: \$ _____
Expected securitized proceeds: \$ _____
Total: \$ _____

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3. For each of the categories below (listed in alphabetical order), please provide the amount of **fiscal year 2004 MSA payments and securitized proceeds** your state allocated for **fiscal year 2004** (including any unallocated funds). In addition, please provide specific examples of programs for each of the categories to which funds were allocated. *(Note: The total of the amounts listed in the categories below should equal the amount reported in question 1).*

Allocation of MSA Payments for Fiscal Year 2004

Category	Amount of MSA payments allocated for fiscal year 2004	Amount of securitized proceeds allocated for fiscal year 2004	Examples of programs receiving funds
Budget shortfalls	\$	\$	NA
Debt service on securitized funds	\$	\$	NA
Economic development for tobacco regions	\$	\$	
Education	\$	\$	
General purposes	\$	\$	
Health	\$	\$	
Infrastructure	\$	\$	
Payments to tobacco growers	\$	\$	
Reserves/rainy day funds	\$	\$	
Social services	\$	\$	
Tax reductions	\$	\$	
Tobacco control	\$	\$	
Unallocated	\$	\$	NA
Total	\$	\$	

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4. For each of the categories below (listed in alphabetical order), please provide the amount of **MSA payments and securitized proceeds** your state plans to allocate for **fiscal year 2005** (including any unallocated funds). In addition, please provide specific examples of programs for each of the categories to which funds will be allocated. *(Note: The total of the amounts listed in the categories below should equal the amount reported in question 2).*

Planned Allocation of MSA Payments for Fiscal Year 2005

Category	Amount of MSA payments planned to be allocated for fiscal year 2005	Amount of securitized proceeds planned to be allocated for fiscal year 2005	Examples of programs planned to receive funds
Budget shortfalls	\$	\$	NA
Debt service on securitized funds	\$	\$	NA
Economic development for tobacco regions	\$	\$	
Education	\$	\$	
General purposes	\$	\$	
Health	\$	\$	
Infrastructure	\$	\$	
Payments to tobacco growers	\$	\$	
Reserves/rainy day funds	\$	\$	
Social services	\$	\$	
Tax reductions	\$	\$	
Tobacco control	\$	\$	
Unallocated	\$	\$	NA
Total	\$	\$	

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Comments

5. If you have any additional comments relating to any of the issues raised in this survey, please enter them in the space provided.

Thank you for your cooperation.

GAO Contact and Staff Acknowledgments

GAO Contact

Robert A. Robinson, 202-512-3841

**Staff
Acknowledgments**

Charles M. Adams, Kim Chaffer, Lawrence J. Dyckman, Alan R. Kasdan, Stuart Kaufman, Karen K. Keegan, Julio A. Luna, Rosellen McCarthy, Judy Pagano, and Stuart Ryba

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